427

the landlord and tenant receive 25 per cent each. The workers have to carry the heavy bundles of fiber on their backs to the poblacion. If the landlord strips and processes the abaca planted and cared for by his tenant, he receives 75 per cent of the profits from its sale in the poblacion and the tenant 25 per cent. If the tenant processes the abaca the division of profits is reversed. One informant said the owners of the cainsin often urge their tenants to plant abaca in order to prevent soil erosion and the spread of cogon. The tenant receives all vegetables planted in the cainsin.

CREDIT FACILITIES AND ARRANGEMENTS

452

Nearly every comprehensive study of Philippine economic structure has urged that credit facilities be improved. Both the Joint Philippine-American Finance Commission (1947) and the Bell Mission (1950) stressed the need for improving and expanding agricultural credit facilities. The latest study of agricultural credit is briefly summarized as background material for Cateugan.[21]

452
655

There is no government control or support of agricultural products in the Philippines, with the exception of the activities of the National Rice and Corn Corporation. Though this corporation limits price rises of rice to the

[21] John L. Cooper, "Report and Recommendations Concerning Agricultural Credit in the Philippines." Manila, United States of America Special Technical and Economic Mission to the Philippines, January 8, 1952, 88 pages. Mimeographed.

452
655
474

consumer, it does not effectively stabilize the price the farmer receives for his rice. Farmer organizations or cooperatives are few in number and generally ineffective in helping the barriofolk. Those cooperatives that existed before the last war, for the most part, did not survive; at present there are only a few cooperatives connected with poultry and tobacco production. Cooper writes:

> Thus, most farmers have to depend upon private merchants. By having no control over marketing, the farmer cannot pledge his crop for credit until favorable market conditions prevail so he can obtain for himself the maximum amount for his crops. Instead this profit goes to middlemen.[22]

[563]

Aliens, particularly Chinese, control approximately 65 per cent of the marketing of Philippine agricultural products. Chinese control is not always due to business acumen and shary practices, but often by Filipino default.

The majority of the seventeen registered financial organizations in the Philippines are located in Manila and confine their businesses to that general area. "Virtually all of their business is non-agricultural and is largely concentrated in import and export commerce."[23] Only two major institutions operate in the rural areas:

---

[22] Ibid., p. 3.

[23] Ibid., p. 4.

452
655

Only two major institutions operate in the rural areas: the Philippine National Bank and the Rehabilitation Finance Corporation (RFC). The Philippine National Bank has a branch office in Dumaguete City; the only bank in the city in 1951.

452
655
426

In Siaton, as is usual, the municipal treasurer is the sub-agent of the Dumaguete branch of the Philippine National Bank. To him the people come to arrange for loans. Although they could go to the city branch, they must have certain statements regarding their security from the municipal treasurer. The borrower pays 10 per cent interest; 4 per cent goes to the municipal treasurer as his personal profit and 6 per cent to the bank. If a Torrens title to the land is not available, then a tax receipt will be accepted if free from any adverse claim for ten years. In Siaton when land is offered as security, without a Torrens title, all adjoining landowners must sign an affidavit that the borrower is the undisputed owner. Since the Philippine National Bank operates on a commercial banking basis it is quite difficult to obtain agricultural loans. Only in rare cases can a tenant qualify for a loan since he normally lacks the required security. Movable property is not accepted as security by the government-controlled Philippine National Bank.

The Rehabilitation Finance Corporation was established by the government in 1947. One major purpose of the RFC was "to provide long term credit for the rehabilitation and development of agriculture and industry." For

452
655
426

a RFC loan a Torrens title for land is required. If a Torrens title is not available, then either a Torrens title to urban land of equal value or a pre-1894 Spanish title to the land for which the loan is requested is required; the interest on the loan is 6 per cent per annum.

There are no branches of the RFC in Negros; for the people of Negros Oriental the nearest branches are in Cebu City or Iloilo City. Between January 2, 1947 and September 30, 1951, fifty-six RFC agricultural loans were made in Negros Oriental, totaling $335,225; none were made to residents of Siaton municipality. For the same period agricultural loans in Negros Occidental totaled $6,835,077. Both sets of loans were mainly for rehabilitation of Negros' sugar industry. Of the twelve Visayan provinces, Negros Occidental received the largest amount of money (1947-1951) from the RFC; Negros Oriental was sixth.[24]

452
426

Due to the stringent requirements of the Philippine National Bank and the RFC for agricultural loans the average farmer is forced to obtain agricultural credit from landlord, from private money lenders, local merchants, rice millers and other buyers of farm products. These loans often are made and repaid in kind. A farmer may obtain credit from a local merchant and later sell his palay to this merchant, who deducts the amount owed.

---

[24] Ibid., p. 49.

452
426

In Siaton the Chinese merchants loan rice or corn to the barriofolk before the harvest and the borrower is required to return twice the quantity borrowed. In the Philippines "interest paid by tenants on borrowed money is grossly onerous. Annual rates of 100 per cent are common and rates of 200 per cent and even higher are not unusual."[25]

Between 1907-1947 there were in the Philippines eleven attempts to establish agricultural credit facilities, cooperative credit or marketing organizations, special government corporations, or government-sponsored banking institutions. Of these eleven only two were successful, the RFC and the Philippine National Bank. There are a number of reasons for this dismal picture of agricultural credit. First, insufficient inducements were offered to encourage private investors to organize rural banks. Second, the cooperatives failed for lack of loaning capital, bad management, or non-support by their members. Third, none of the institutions established credit facilities available to the barriofolk who have to pay usurious interest rates to the private non-registered lenders. This includes the Philippine National Bank and the RFC. Fourth, these agencies approached agricultural credit problems with commercial banking procedures.

The need for agricultural credit has increased considerably since 1945. In many cases the farmer is worse off today than before the war because of the

---

[25]Hardie, op. cit., p. v.

disparity between the prices he receives for the products produced and the goods he must purchase. There also are the lower level of agricultural production, and the war destruction of equipment and buildings. Most farmers were unable to liquidate their debts during the inflationary period which followed the war; many fell deeper into debt. 452 426

Siaton's municipal treasurer has been assigned the municipality for six years (1946-1951). During this period only twenty loans were arranged through the Philippine National Bank; the largest was $500 to one of the local government officials. The average loan was about $100 and 75 per cent were made to poblacion residents; other loans were made to residents of Malabuhan, Bonawon, and Giliga-on. All loans were for agricultural purposes. 452 655 426

During the "starvation months" some Caticugan barriofolk are forced to borrow money or supplies in order to live. As one woman said: "We live between one harvest and another on the supplies the Chinese advance us." Other occasions for borrowing are a death or wedding. For example, one man in Catiougan borrowed money from his elder brother's wife for the bride-price when his youngest son married. Fiestas also are occasions for borrowing. Not all "agricultural" loans are for agriculture. Sometimes parents borrow money to support a son or daughter in school in Dumaguete although the loan is said to be for 452 426

452
426

"agricultural purposes." Some of the sari-sari stores in the poblacion permit individuals to have "charge accounts" without charging interest. For the most part, however, these are residents of the poblacion--often government employees--and their accounts run between monthly pay-checks.

420

One common method of borrowing money is called arendo. There are two types of arendo. First, the borrower permits the lender to cultivate the field offered as security for the loan for a stated period; the harvest belongs to the lender who farms it. When the set period of arendo is over, the loan is considered repaid by the harvests and the field reverts to the original owner; there is no interest on the loan. For example, a saingin farmer in Pinac-an loaned thirty-five dollars to the owner of a 1.7 acre field in Barrio Caticugan. The owner ran a sari-sari store in Tanjay poblacion. The lender was to farm the land, receiving all crops until the loan was repaid. The Pinac-an farmer had been cultivating this field for several years for the owner never had made any payments on his loan.

In the second type of arendo the lender loans money and the interest rate is one-third of the harvest of the field offered as security. If the lender furnishes the borrower with seeds and the latter cultivates the field, the harvest division is 50-50; the owner becomes a tenant on his own land. When the loan is paid, the harvest shares are considered as interest. One man in Naga had

426

By putting the field under arendo the owner is able to forestall its sale.

Sometimes land slowly passes out of the hands of barriofolk who need money, often due to emergencies. One man who mortgaged his field was unable to repay the principal so he put the field under arendo to his creditor, receiving no share of the harvest. When the arendo period was over, he needed more money. He put a second mortgage on the field to the original creditor and finally sold him the land. Generally speaking, arendo did not appear to be widespread in Caticugan. However, this is not the easiest type of information to collect.

Some barriofolk loan small sums of money under a verbal agreement; the interest rate usually is 10 per cent. There are also loans in kind, repaid in kind. One woman in Naga frequently loaned money and received the assistance of the barrio school-teacher in drawing up the receipt since she was illiterate. The two persons most active in loaning money in Naga were women.

426
452
511

Credit sources in Caticugan were meager and the barriofolk usually lacked the security for loans that would enable them to receive assistance without resorting to usurious sources. Most barriofolk were badly in need of sources of credit for subsistence loans and production requirements (fertilizer, seed, etc.), and the benefits of cooperatives. If such sources of credit had been available, they might have reached a higher standard of living.